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Ex-CIA official Hugel wins \$980,000 defamation suit

By Tom Diaz
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Former CIA deputy director Max Hugel won a \$980,000 defamation judgment yesterday against two brothers who accused him in 1981 of slipping them inside business information to manipulate the stock of a company he headed.

Mr. Hugel resigned from his CIA post in July 1981, only hours after the charges by former stockbrokers Thomas R. and Samuel F. McNell were published on the front page of The Washington Post.

"I feel totally vindicated," Mr. Hugel said yesterday. "It was a long, hard, costly battle. But I hope that

in the future the media will be more careful in printing allegations so that the individual has at least some form of protection."

Mr. Hugel said he hopes "The Post would do the right thing by us — at least report the story [of the defamation award] in a prominent place, similar to what they did when they wrote the story in the first place."

The McNell brothers disappeared a week after The Post printed their charges against Mr. Hugel. Officials of the two firms they ran have alleged that they took with them over \$3 million in assets

of the companies, Triad Energy Corp. and Everest Petroleum Inc.

Although the McNells have never been found, Mr. Hugel sued the brothers in a New Hampshire federal district court in 1982. The court entered a default judgment against them in February 1983 after they failed to show up for a hearing, and yesterday it announced the amount of money damages awarded to Mr. Hugel.

The court said Mr. Hugel suffered "humiliation, embarrassment, shame and mental anguish" as a result of "defamatory statements maliciously made" by the McNell brothers. It also said "the defamation continues" as Mr.

Hugel's name continues to be linked in the news media to alleged wrongdoing by officials of the Reagan administration.

Mr. Hugel's lawyer, Joseph Millimet of Manchester, said he will try to recover the damages from the McNells' assets.

The 1981 Post story was based in part on secret tape recordings the McNell brothers made of telephone conversations with Mr. Hugel. The article said the tapes and documents corroborated the brothers' charge that during the mid-1970s Mr. Hugel gave them inside information about a company he founded, Brother International Corp., and "improperly funneled funds to McNell Securities, the principal firm trading in his company's stock."

Mr. Hugel, representatives of the CIA and his lawyers met twice with reporters and editors of The Post in an unsuccessful attempt to persuade the paper not to run the story.

"I tried in every way I could to explain to them that I didn't have enough time to get all the documentation," Mr. Hugel said yesterday. "I didn't have access to much of the information these people were talking about, and I didn't have access to the tapes they were referring to."

Mr. Hugel said that in his meetings with The Post he heard "only small portions, only certain segments" of the tapes on which the paper relied.

"It took me two years of legal work to get hold of the tapes and find out what was actually in them. I got them from the lawyers that the Post returned them to," he said.

U.S. Magistrate William Barry wrote in a legal opinion yesterday explaining the award to Mr. Hugel that "the primary reason that [Mr. Hugel] was unable to defend himself at the time was because he did not have and had not had any access to financial records of Brother International since 1975."

Mr. Hugel said the complete tapes show the McNells "were acting as business consultants to the company, and the information they were receiving was based on that."

But The Post's vice president and counsel, Boisfeuillet Jones Jr., told the Associated Press yesterday that The Post stands by its article as being "fair and accurate."

Asked why he had not also sued The Post, Mr. Hugel said, "We've got three more years to make that determination."